

Goal: Understand the method of **Sealed Bids**.

1. Sealed bids: general idea

2. Steps:

- (a) List items to be divided
- (b) Individuals submit a sealed bid for each item
- (c) Determine each person's total bid
- (d) Determine each person's fair share:  $(\text{their total bid}) / (\# \text{ people})$
- (e) Award each item to the highest bidder
- (f) Determine each person's initial allocation of money to holding pot:
  - if award – fair share is positive, individual pays difference **into** pot
  - if award – fair share is negative, individual gets difference **from** pot
- (g) Divide remaining surplus in pot equally

3. Example ITEMS: Vase, Earrings, Ice Skates. PEOPLE: Sam, Omar

	Sam	Omar
vase	\$10	\$5
earrings	\$4	\$15
ice skates	\$20	\$16
total bid		
<b>fair share</b>		
who gets what (award)		
<b>award value</b>		
(award value) – (fair share)		
pays in / receives		
total surplus		
share of surplus		
<b>Final Allocation</b>		

4. Same Example with different bids:

	Sam	Omar
vase	\$10	\$5
earrings	\$4	\$1
ice skates	\$20	\$10
total bid		
<b>fair share</b>		
who gets what (award)		
<b>award value</b>		
(award value) – (fair share)		
pays in / receives		
total surplus		
share of surplus		
<b>Final Allocation</b>		